

09-Mar-2022

Walmart, Inc. (WMT)

Bank of America Securities Consumer & Retail Technology Conference

CORPORATE PARTICIPANTS

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

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Robert F. Ohmes

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MANAGEMENT DISCUSSION SECTION

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Hey, everybody. We have saved the biggest and best for last at the BoA Consumer Conference. I'm Robby Ohmes from BofA Global Research. So, look, we're really pleased to have Brett Biggs, the EVP and CFO, Walmart Stores, with us here today. If you don't know Brett – I'm pretty sure most of you do – Brett has been with Walmart since 2000, working in several different roles. He was EVP and CFO of Walmart International. He was EVP and CFO of Walmart U.S. Division. He has also worked as both the CFO and later an SVP of Operations at Sam's Club. He was also SVP of International Strategy and M&A.

So I think – this could be the last time that you appear here because I think the – as Brett, I think, plans to leave the company at the end of this fiscal year after 22 years. So he is going to be very missed I'm sure for Walmart, but definitely by people like me at BofA. So, Kendall and I feel honored that Brett made it here today and I want to thank Kary Brunner for showing up as well.

QUESTION AND ANSWER SECTION

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

But I'm going to start off with my first question for Brett, which is can you just walk us through the drivers to over 3% comps and maybe put it in the context of inflation and other things that might be going on for the US business?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, you bet. Yeah, thanks for having me. It's been – it's a bit surreal to be back in person. Anyway, I think it's been, Kary, [ph] we're talking about it's been (00:01:39) a couple years really since we've done this live, so it's great to be back around people and answer these questions live more than what we were doing over the last couple of years.

Yeah, I mean, the business, as you would have seen in Q4, is performing really well across the company, whether that's Sam's US International, I feel great about the strength of the underlying business. The 3% comp that we talked about is on top of a pretty big number. We've added a significant sales volume to the US over the last couple of years. Walmart US has added 15% to your stack over two years. But there's really a number of things that I think get us comfortable with that and some of that is just the evolving nature of the business. As we, we're seeing people obviously come back in stores, store traffic has been very strong, our e-commerce business has roughly doubled over the last couple of years with these newer businesses that we're also spending time and resources and seeing good results from those.

It's all of those things combined that make us feel good about the business. We've continued to grow market share in food, so that's always been a driver for the company, particularly with the advent of the Supercenter many, many years ago. But our GM business is strong and we still get good attachment with our GM basket of food. So when you think about all of those things together and you've heard me say a number of times, Robby, about our ability to pull different levers, it's all of the levers that we have to pull that I think makes us feel good about that guidance and good about the business.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And within that, I think your store traffic has remained positive. Is that right? How much of that is people returning to stores versus your pickup and delivery continuing to grow so fast and maybe a little help on what you're doing right there?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, it's some of both. I mean, certainly went through a period of time during COVID, the early parts of COVID where people either couldn't come in the stores or were choosing to stay home and we've seen a reversal, we saw a reversal of that last year, probably a little quicker than we would have anticipated that the store traffic would come back, particularly – and parts of the country came back more quickly than we would have thought. But the businesses that we continue to grow, whether you said pickup, delivery, the work we're doing in-home, it's all of these different ways that customers can shop with us, go local that I think makes a difference and continues to get

us top of mind with shoppers. That's what we want when we talk about the omni strategy and our flywheel, is when customers think about shopping that Walmart is the first place that comes to mind for them because they know whether I want to go pick up in my car, I want to go out to the store, I don't want to shop at home, I can do all that with one company and we think we're giving the customer that today.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

And speaking to customers, I wanted to ask you the – I mean, you guys probably know the broader US customer better than anybody. So really from three aspects, the first is just what is your customer? How are they responding to just general inflation out there? And maybe we could include – maybe general inflation and then gas inflation may be two separate, but connected. How has that historically affected your customer and how do you think it will this time?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Well, we know from our own surveys and things that you read that certainly inflation's on people's minds. They're noticing it. We said this in our Q4 earnings release that the customer and consumer, we still feel like in pretty good shape. And that was part of our guidance that we gave as we came into this year. The increase in fuel prices is going to get people's attention certainly and I'm sure we'll talk about that.

But Walmart, if you look at our customer base, we really span the entire demographics of the United States. We do have a component of our customer that would be lower middle income customers, but we really span the entire the entire breadth. We think that it's beneficial to us as a company that we can do incredibly well like we did in the last couple of years. Now we had tailwinds which we understand with stimulus and other things. But when the customer really needs us, we're there with lower prices and our price gap's in great shape. We're able to fulfill the needs that they have and I think we can do that better than anyone else. What we've seen historically with fuel prices when they increase is you tend to see a little bit of consolidation with shopping trips. You'll tend to see fewer trips, you'll tend to see bigger baskets, which again, bigger baskets is really our sweet spot. And so as customers need us like they always do, but maybe need us a little more now, we feel like we're in great shape to be there for them.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

And the other one is just on stimulus. Can you maybe remind us what you see last year in February and March or March-April...

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

...when the big stuff hit? And then what's the expectation when you anniversary it?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah. If you remember, we had – we – I think we had our analyst meeting mid-February and then right after that was when the big stimulus was announced, so really March and April, we saw a large increase in sales and operating income, particularly in general merchandise side and food. Food continued to be steady as it always is, but the general merchandise was big. And that's why we've talked about first quarter will be down fairly significantly because of last year. But when you look at the two years together, we're really strong, still [ph] two-year stack (00:07:12).

Every quarter right now feels a little bit different somewhat because of what we're lapping from last year as you went through the stimulus and then you had COVID, we were up a little bit in the second quarter and then obviously again in the fourth quarter last year. And that influenced buying habits as well as people, our own associates and their ability to come to work and all of those things. And so as we go through the year, we'll be really transparent about how – what we're seeing this quarter compared to what we saw last year.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And there's been a couple of other large retailers here in the grocery and warehouse club industry. We've asked them about trade down versus trade up. And there hasn't necessarily been trade down seen yet. Is that – would you say that's true for Walmart also? Is the customer trading down or are they trading up or?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. We haven't, still haven't seen what I'd call a meaningful change in how customers are shopping. And there's a lot of things I'm sure that influence that. Unemployment's low, wage rates are high. Savings rates are still in pretty good shape, so a lot of those things will help. Again, I think the great thing for the way that we do business is customers want to trade, call it trade up, trade down. We have all the products that they're going to need, we have the different price points they're going to need, we have private label. We have other things that can satisfy wherever the customer is at that time. And I think we're unique in that way.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

All right. I'm going to shift over to another thing that we were all hoping was going to be less talked about as we move through this year. But now it's back up again is supply chain. There were some great things you guys did in 2021. I think you guys kind of were saying that you were going to be pretty well stocked for holiday relative and you were.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

We were.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Can you do that again? And what are the – are you the largest importer of merchandise into the United States, basically?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, fortunately for us, about two thirds of what we sell in our stores is either made or assembled in the US, and that helps a lot. So it's a good starting point for what it takes to stay in stock. We do import goods certainly from different countries. We – our merchants are so experienced and our supply chain teams are so experienced. And you go back even three years ago, we were talking about tariffs and then you had supply chain issues. And so they've – every one of these types of things is different. But a lot of experience has helped us weather this, probably some better than others.

Still having some longer lead times on things, still not quite in stock that where we want to be on every category. You saw our US inventory up 28% in the fourth quarter. I feel good about it, but that indicates some longer lead times, some ordering ahead that you might not see in normal times.

So in general, we feel like parts of the disruption are getting a little better. We've seen that in the last couple weeks, the last couple months, we thought that might happen as we get through the holidays. That's what we're anticipating. Obviously, there's still a number of things going on in the world that could impact, whether that's COVID or other things that are going on and we're going to be mindful of that and we'll continue to have our teams do what they do really well and keep us in stock.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Are there any – would there be anything you've learned over the last year or two that would encourage Walmart to look at different ways to do supply chain? Would you own more of the transportation side of it? Would you – any kind of things like that or...?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Probably nothing that dramatic. But the thing that's – it doesn't surprise me, but it always amazes me is how quickly and how flexibly the company can move. Look at everything we experienced in the last two years, starting with March and April of 2020 when the demand on product was unbelievable and we went from a few hundred stores that can ship directly to home to thousand stores that can ship directly to home in a month. The ability to think about having our own vessels to bring products in, the ability to get products off of a shipping lot in a different way, all of those things were incredibly creative. So what gives me hope about this current year is that that creativity won't go away and we'll find creative ways to work our way through this. And we've seen things in the last two years and [ph] probably never (00:11:56) thought we would ever see or ever have to experience. And it just gives me confidence in the team that we have that we'll work our way through things.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And what are you guys seeing these days on the labor front? Are you getting everybody you want to get? And do you think that wage increase is a kind of every year thing going forward here for the industry, or how should we think about that?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. We were able to hire really well for the holidays. We hired a couple of hundred thousand people before the holidays, which is pretty amazing on any scale. And if you go back, Robby, a couple of years ago, we were pretty proactive in raising wages in our stores and in our supply chain as well. And I think we got ahead of some of what was coming. And if you look at our average wage rates in stores now, we're at over \$16.40 per hourly wages,

Sam's is a little higher than that. Our distribution centers would be – our supply chain would be over \$20 an hour. So I think we're in pretty good shape from that standpoint.

The things that get me a little bit of encouragement – even though unemployment is low – a number I watch quite a bit is the labor participation rate. That seems to be ticking up a little bit, so maybe more people coming back in labor force that left during COVID. So that would be helpful to get the additional people back into the labor force. But our ability to hire has been good.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And when you raise wages and when you see larger employers across the US raising wages, I mean, how quickly do you see that show up in your – in the sort of the top line of Walmart US?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

As far as raised wages?

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Yeah. When you see wages...

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

...going up, does it translate to better sales for you guys typically?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I think you see it probably more pronounced when you're taking more proactive action like we did a couple of years ago when we were proactive not only around that, but we were looking at benefits around Live Better You, so the educational service that we had. When you're looking at 401(k) benefits, when you're looking at things like that and looking at bonus structures when it's – I think a more proactive environment, you tend to see more benefit from that. And that's why I'm glad we did what we did over the last couple of years because I think it is a signal to your team that you're wanting to invest in them. Not only that, invest in their career still, I think Kary, I could get the number on, but I think about 75%. Some of our store managers started out as our associates.

So not only are they looking at pay, they're able to look and see that guy or gal, that's my store manager, they started out just like I did and I can do that and make – have a great career and have – make a substantial amount of money. So [ph] I think we have that (00:14:43) going forwards as well.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Okay. I'm just going to ask question that has to be asked. Can you just take us through that gross margin? Puts and takes, what's it going to be the next couple of years, how high can it go?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I've gotten a few questions on gross margin, [indiscernible] (00:15:00)? Yeah, I'll go back to Q3 and we had US gross margins that went down a little bit and I know it garnered probably more attention than I would have anticipated for any one quarter. And Robby, I think you heard me say now for almost seven years, it's really hard to look at one quarter of gross margin, so please don't do that. Then in Q3, I think we did that. And so I felt good at that time that we're going to see Q4 will be a little bit different and it was. US margins were up quite a bit in Q4. And it's – there are several things. One, there's just so many things that go in the gross margin. And particularly when you get into environments there's little bit of inflationary, you're going to have some lags at times in the way prices move and the way you're able to change prices, which we've had to take some prices up on some things.

But I feel good about our margin overall in that our mix continues to get better as we continue to have more general merchandise in particular in our e-commerce business. That helps with margins. When you look at shipping costs and the ability to ship more effectively with the capital that we're putting in, in supply chain, I feel good about that. That helps the contribution margin. When you look at the new businesses or newer businesses that we're in or getting into, which is advertising, that helps some margins, also helps with suppliers and with customer retention. I feel great about our marketplace business. We added 20,000 sellers last year. I think we'll add another 40,000 this year and that's something that we should get that 1P, 3P mix a little bit different inside the e-commerce business, that helps.

So as I look longer term and we've said that we think gross margins will be a little bit higher next year than they were this year. But I feel good longer term about where the gross margin of the business could be. Now, is the quarter-to-quarter going to be exactly straight lined, probably not because there's a lot of things that go into gross margin. But over – as you look at it on a yearly basis or semi-annual basis, I feel good about that.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And from a shorter term perspective, how should we think about things like benefits you probably saw from COVID vaccines in the pharmacy, Any other things that we should be thinking about as headwinds in the kind of short term this year?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Like I said, there's so many things from last year that every quarter we'd have to come out and help you and remind everybody that we had this year, we didn't have it this year. It's not quite business as usual as we would've seen a few years. So there are some things like that that will be a little bit of headwinds last year. But we've got some – versus last year where we've got some businesses this year that are bigger than they would have been last year that are going to help marketplaces gotten bigger. Our mix continues to improve. I think all of those things will play out positively as the year goes along.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And then I think you warned us to at least expect a little bit of deleverage this year.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Can you kind of walk us through as much as you're allowed to on the detail behind that?

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Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. And if you'll remember, you go back six years ago when we came out and said we're going to have to invest some in stores and in e-commerce. And we did that, and when we said we feel good about the business going forward, drive top line, I think we've done that. But it was at that time that I think we took another sharp look at our cost culture inside the company, which has always been a hallmark of Walmart. And I still feel really good about the cost culture that I see inside the company. There are things that are certainly higher than they were last year, wages we've talked about were lapping some wage investments that we made last year that won't fully lap till we get into kind of the middle part of this year.

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COVID costs were up again in fourth quarter. But if we don't get another variant, I'd expect those who get back to a little more normal level like we saw maybe in Q2 to Q3. Supply chain cost, we'll see. We'll see how that goes through the year. We had some elevated cost in Q4 that we certainly don't anticipate being at that level throughout the rest of the year, but we'll see how that goes. But what – if you strip out those big elements and just look at the general cost base of the company and looking at it longer-term, I still feel good about it. I still feel good about our ability to leverage.

We had – if you go back two years ago, we'd said we thought we could lever 20 basis points or so a year. Take out some of the – what we've seen the last couple of years, I still would have felt good about that number and we'll continue to invest in a way that's healthy. The best way of course to leverage expenses is to keep getting the top line higher and I feel good about our ability to do that long-term.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

And then maybe within that top line, how should we – does Walmart's approach to price increases change if it starts to look like inflation's going to be a multiyear mid-single-digit plus situation? Like what's the, I don't know how far back we have to go, but I'm sure there was – maybe in the mid-80s I think it might have been an environment like that. What was Walmart's approach to secular...

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Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

You and I were really young.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

I know. I've been reading a lot of history though.

Q

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

I've been at Walmart a long time, not that long.

A

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

But what's the...

Q

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Yeah.

A

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

...approach to secular inflation if we do go into that scenario?

Q

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Yeah. It's tough with hypotheticals, but I can tell you how we talk about it internally. And there's certainly cost increases you're going to get or you're going to see, commodity prices are going up. First thing we're going to do is working with our suppliers to keep their cost increases as low as possible because that's what we need then to keep prices lower for customers, so that's the first thing we're going to do is we're going to be working with suppliers.

A

We have taken some prices up. The good thing is we have such a large SKU count, a large basket that we can take it up, I think strategically in ways that hopefully impact customers less than some of our competitors do, but our mission is to save people money. And that can take on a different meaning a bit when inflation is a little more persistent, where we still, from a competitive standpoint, would be where our customers need us to be. We also have to be thoughtful of shareholders obviously when we do that. And I think we're at a point right now where I think we're doing a good balancing act of taking care of customers as well as taking care of shareholders. I think you saw that in the fourth quarter with the way the P&L is managed. And I think we'll consistently be able to do that. We are – Doug – you'll hear Doug say we're inflation fighters for our customers and we view it that way. But we also know we have shareholders that we have to take care of. Our price gaps are in great shape, which I think gives us optionality on how we can continue to take care of that customer, it gives us more ways to do that maybe than some of our competitors. And our merchants are very, very focused on those price gaps.

But if we can get price gaps where we think they need to be good for the customer and we continue to take market share, which is really what you saw in Q4, you saw in Q3, too, just looked a little different in Q3. I just – I feel good about our positioning. We can do – we can fulfill our mission, save people money so they live better and fulfill our mission with the shareholders.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

That makes sense. I think we're going to shift over to e-commerce and maybe we could all start with just the broader question on it and then I think Kendall has a bunch of follow-ups. But the – how should we think about the

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– it looks like penetration is dropping for the industry a little bit versus on a year-over-year basis. How are you guys thinking about 2022 e-commerce versus in-store?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. 2021 was pretty amazing. When you look at the growth rates in that year and I think everybody knew, you probably won't have those growth rates over again, again. Again, people came back to stores a little more quickly than we would've thought – or 2020, sorry, people, I'm thinking fiscal year. Calendar year 2021, people came back in the stores more quickly than we would've thought, so our e-commerce number growth rate would have been a little bit lower than we would've anticipated and you would've seen that. But over two years, basically we still doubled – roughly doubled the business.

So penetration was – it's going to be hard to replicate the year before. The great thing for us and I kind of answer every question this way, so I'm sorry. But the great thing for us is the way we have the business structured right now with stores, with e-commerce, with delivery, [ph] it's really (00:23:56) nobody has that. And so, we're somewhat ambivalent to how customers want to shop.

Now there's – there are parts of that are more profitable than others. But it's our job as management to let the customer shop the way we want to and then we've got to make the P&L work. And I feel – I have no concern that we can make that happen. So I think e-commerce will continue to grow, there's no doubt it. But people are going to continue to shop in stores and they come back in droves into our stores. It's been great for us. Okay. I'm going to turn this way down.

Kendall Toscano

Analyst, BofA Securities, Inc.

Q

So actually on making the P&L for e-commerce work, can you just remind us to what extent has Walmart been able to improve e-commerce profitability over the past few years versus how much do you expect that you can continue driving improvements over the next few years?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, we've been really focused on our contribution margin rate and that's continued to improve. And there are several things that drive that. Mix is really important. So we sell more home and apparel than you do cans of corn, that's really good for your product mix and it helps with margin. Variable cost is something that we look at all the time, which is how much they cost to process, ship and order. That continues to come down for us. I think with the capital that we're going to spend over the next few years, that will continue to come down. I feel very confident about that. And then there's services or services like Walmart Fulfillment Services, which part of the capital that we'll be putting in over the next few years is going to be around that as well, increasing our ability to fulfill that or additional capacity to fulfill that for our sellers. That's going to be a big leverage point for us in the future and then continue to grow third party.

So Marketplace, we're putting a ton of effort into that. We're making progress, as I mentioned earlier, with the SKU count, with the number of sellers. All of those things that they're – if they're moving in the right direction will improve contribution margin and that's what we need and all four of those things right now are moving in the right direction.

Kendall Toscano*Analyst, BofA Securities, Inc.*

Q

That's helpful. And then shifting gears a little bit, I wanted to see if we could talk about some of the alternative profit stream opportunities for Walmart. You guys have mentioned things from digital advertising to financial services and healthcare. Which are you most excited about for 2022 and maybe 5 or 10 years down the line?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah, they're all great and it's – we talk about Marketplace, Walmart Fulfillment services, advertising, fintech, health care, data monetization. There's, let's call them, less than two handfuls of initiatives that we've spent a lot of time on over the last few years that I think all have a great chance to scale and they all fit really well inside of our business.

The great thing is when you have less than two handfuls, one, there's not too many of them that you can't focus. But also, not all of them have to work exactly the same way for you to have a successful business. Some of these will work way better than we ever anticipate and there'll be one or two that maybe don't work as well as we think. But they all have a great base and strategy behind them that make me feel good about it.

Advertise is the one that's probably taken off the quickest of all of those and we've talked about we have over \$2 billion business. Now, I think that surprised people a little bit when we talked about that last quarter. But that's something that can continue to ramp with all the eyeballs that we have on our site and our stores, with advertisers. It's a very natural outflow of what we do. I'm on the board of our fintech JV. And we work – I work a lot with Omer Ismail and Micky Malka, who are two of the best in the industry. And we've just announced a couple of acquisitions that we hope to close soon that I think could really change the way that we interact with our customers on financial services and get more involved in their lives. So I'm very excited about that.

We talked about Marketplace a bit and Fulfillment Services. That can – it can really be game-changing for the entire e-commerce business. We have a great e-commerce business today and it's growing. But those kind of things can really be an accelerant to that business. And then healthcare is a business we've been in for a long time. We have a big healthcare business already. And we've trialed clinics, we've trialed diagnostic labs. And all of those things have the potential on their own to do pretty big businesses for the company. But they all tie in really well to how we interact with our customers.

I wouldn't anticipate us doing something that would surprise investors or analysts that you look at a business and go I literally can't figure out how that ties to Walmart's business. Even if it were a great business financially, it's got to be something that ties in with our customers. And each one of those, I can lay out the strategy for you and think about what the P&L could be and be very excited about it.

Kendall Toscano*Analyst, BofA Securities, Inc.*

Q

Got it. That's helpful.

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

So I can't choose at this point. I'm sorry.

Kendall Toscano*Analyst, BofA Securities, Inc.*

Q

I was just going to ask as a follow-up on digital advertising. Since you guys have partnered with The Trade Desk, I think it was around a year ago maybe, can you just remind us what some of the key changes that you've made in the business to be able to start scaling it? And then what some of the key obstacles that you're still working to address in order to continue growing the business?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah. With that partnership and with that business in general, it's how do you make that easier for your advertisers. How do you make it more self-service? How do you get them the access they need to your space, but also spaces outside of your properties that you own? How do you help them advertise even outside of your properties? And then most importantly, how do you measure it? That's the Holy Grail for advertisers is how do you measure that what they did actually led to a purchase? And that takes adding new tools, adding new capabilities and those are things that with Trade Desk, with other things that we've done, making it simpler, making it more on-demand and being able to make it more analytic for the advertisers is the name of the game there. And I think the \$2 billion business is indicative that we've been able to do some of that. And it's not just in the US, things we're doing in India, Mexico, Canada, all of those markets can utilize what we're doing. So I think it's going to be something. That business is going to be very, very global for us.

Kendall Toscano*Analyst, BofA Securities, Inc.*

Q

That's helpful. And then I guess if there's anything else you could share in terms of what Walmart is doing in insurance or maybe more on what different kinds of financial services you see Walmart's opportunities in, what are some of the things you're working on for 2022?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah. The insurance business where basically we're a broker of sorts, is something that fits pretty nicely at the intersection of healthcare and financial services. It's really both. And again, it's part of helping our customers find the product that's right for them, at the right price point for them. It's a confusing business. I mean buying insurance can be confusing. There's a lot of options. And if we can make that simpler for our customers and we can get them a better price point for the product that they're buying, that just fits incredibly well into our mission and where customers need help on their lives.

Kendall Toscano*Analyst, BofA Securities, Inc.*

Q

And I'll see if any – if Robby has any follow ups on some your alternative profit streams and then I know Robby also had some questions on Sam's Club and International.

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Those are pretty big businesses too.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

Yeah, they are. I just, sort of a sidebar. Can you – fintech what should I be thinking? When you say fintech, my mind...

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. It's broader than that actually.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Yeah.

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

That's a good point. I say fintech because that's what everybody kind of recognizes these days, but it's – yeah. How do you make the financial part of people lives easier? How do you help them manage their own P&L? How do you help them manage their memberships, their subscriptions, their – just the way they integrate with life? We have so many touch points with that customer that there's all kinds of ways that we can do that and one of the acquisitions that we've taken on is called ONE and that's actually what we're going to take on as the name of our entity; that's a great app.

A

So it's not just a service that they do today, it's what can you do with that app to make it bigger and get more integrated with people's lives? And there's so many ways to do that. If you think about what people do every day just managing their own household and memberships and subscriptions and their own finances, it's complicated and there's a lot of things that come at them. And again if we can make that easier for them, that's what we want to do and it just – and the benefit for us of course is that it gets more and more into our ecosystem.

One of the first trips I took to India came in what would have been mid-2010, so that's 2016 maybe. And the first time I visited with – we'll go a little bit later on that, with PhonePe and Flipkart. Some of the things that they were doing already, I came back to Doug and I was like, hey, you know, all those stuff we've been talking about on kind of helping people integrate with lives, I've seen it. I've seen in India what PhonePe and Flipkart are doing. And so we've taken learnings from there. And I think there'll be more integration with International over time.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

And would – fintech would be integrated with the Walmart app itself or would you be doing a separate app or...

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. I think that's – I think all things are possible at this point. We're obviously going to want to make it as easy as we can for consumers. We've done, as you know, a lot in the last couple of years to try to make our app simpler, integrating Walmart Pay better into our app. You have to do that. And so, you would assume that there are things that we can do to make that simpler as well with financial services.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

[indiscernible] (00:34:21) we look forward to learning more about that in the next few years. Sam's Club is kind of humming, right.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Really humming.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Yeah.

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

And when Sam's Club is humming...

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

...been doing really well when I was there 10 years ago. It's way better now than it was 10 years ago.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

It makes the CFO of Walmart's life easier when Sam Club's is humming, right?

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

It does.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

I mean it takes a lot of pressure off, right?

Q

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

It's a big – it's a big business. It's a big business, a highly cash-generative business. And the thing that Sam's has done well to particularly the past few years was when Furner was there and now with Kath there is it's been a great place to develop talent. It's been a great place to develop technology. Things we've done with Scan & Go there. We've learned from Sam's about things we could do at Walmart. The way they're interacting with their member, there's learning certainly at what we're going to do at Walmart Plus. But they've been a – the \$70 million business that seems kind of small because it feels like we're inside of Walmart, but the \$70 million business that really has been an incubator of ideas for us. And it's been great. I've never seen that business performing as well as it is right now. New members, as you can get club store, you get more business into them. They become more

A

dense. It's much easier to run the club. Everything about Sam's hums as you get volume to those buildings and I'm really proud of what they've done.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

And anything we should think about there about comparisons or – I mean, obviously, Sam's largest competitors [ph] it doesn't (00:35:46) seem to be slowing down at all?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

No. It's – the warehouse club business has been a great business the last, call it, 10 years. It's been a fantastic business and BJ's has done well. Costco has done – obviously done really well. But Sam's is holding its own really, really nicely. It's a great business.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

And then back to the kind of puts and takes questions, in International, anything you can help us think about a lot going on in International these days.

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

What are the – how should we think about upside/downside in 2022?

Brett M. Biggs*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

A

Yeah, I like the structure of the portfolio and we've taken some tough choices over the last few years to reduce our exposure to some markets. But when you look at the four largest markets now, I look at all of them and see great potential. Mexico Walmex is just one of the best retailers in the world. It's phenomenal business, multi-format, e-commerce. Gui and his team are doing an unbelievable job and it's another one that just hums. It absolutely hums, so really proud of Walmex.

Canada has been a business that has been a very steady business for us, very high-return business for a number of years. But they're thinking outside the box as well. Some of the things you hear us talk about in the US with the ecosystem and new businesses, they're doing the same thing up in Canada and interacting with their customer in a different way, so we feel really good about what's going on in Canada with Haio and his team up there. India, you hear us talk a lot about India and Flipkart, PhonePe continue to perform well. It's a very competitive market. We know that, it will continue to be competitive, but I like our positioning there with both of those businesses. And so, I think you'll continue to hear great things about India in our portfolio.

China business, Sam's in China is another one that hums, that is a fantastic business in China. The Supercenters have been a little bit slower than the club business and then we have our joint venture with – or our partnership with JD over there. We're a part of that company, which has been great from an e-commerce perspective. So as I

look at each one of those markets, I feel good about International being a higher growth and higher return part of the business.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Okay. I'm going to pause and just see is there – we're running out of time, are there any questions in the audience?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

You asked all the good question.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Apparently, I did. Any, anything you want to leave us with that we haven't covered or that you think we should be thinking about?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

We always appreciate the interest in the company. I promise you, we don't take it for granted. And as we may make decisions, we spend a lot of time obviously talking about how it impacts our customers, how it impacts our associates. We spend a lot of time, how it impacts our shareholders and how you will be impacted by decisions we take and obviously we want – always be impacted positively by decisions that we take. But we appreciate your patience as we've made investments over the past few years. I think those investments have paid off. We're going to continue to make investments in the business and also believe that those are going to pay off. And I've – I'm leaving the company after 22 years, but I've never, ever felt as good as I feel right now about Walmart. It's in a great position financially. It's in a great position from a competitive standpoint. I feel wonderful about the team and I just – I couldn't be more proud of the company.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And is Walmart going to do an in-person annual meeting this year?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

That's something that Kary's still working on, I think. We're always going to, I think pick the right time where I feel like it's the right to bring everybody together, talk to them about what we're going to do. We're doing the quarterly earnings call, which we didn't used to do that. So hopefully you find that good. But at the right time, we will always bring everybody together and [indiscernible] (00:40:00) what's going on.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

I was just hoping I can see you on stage with James Corden again, one last time.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I don't know if Doug has plans. I'll leave that up to him.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

All right. Listen, thank you again for...

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah, my pleasure.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

...for coming to the conference. It was a great presentation.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Thank you very much. Thank you.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Yeah, thank you.

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